



Update from the Kansas Health Policy Authority

**Testimony before the Joint Committee on Health Policy
Oversight**

December 17, 2009

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Overview

- **KHPA's New Focus**
 - Changing circumstances
 - New strategic plan
 - Recent achievements
- **KHPA Budget Summary**
 - Reductions approved by 2009 Legislature
 - FY 2011 Budget Recommendations
 - FY 2010 Governor's Allotments
- **Next Steps for the Agency**



KHPA's New Focus

Summary of 2009 Annual Board Retreat and Subsequent Direction

Circumstances differ dramatically from those facing KHPA at its inception in 2006

- **New economy**
 - Immediate reductions in funding for KHPA operations
 - Reductions possible (now realized) in operations and services in FY 2010
 - Large structural deficit that grows substantially with expiration of Federal stimulus dollars in 2011
- **New state leaders**
 - Transition in KHPA leadership
 - Transition in statehouse since KHPA's founding
- **New federal administration**
 - New President focused on quickly advancing major health care reforms
 - Former Governor Sebelius in position of national leadership
 - Reform options address several of KHPA's health policy agenda items



Solicit Feedback from Policymakers

- **Build relationships following political and agency transitions**
- **Make clear KHPA's intention to support state's imperative to balance the FY 2010 and 2011 budgets**
 - KHPA recognizes the magnitude of the state's budget gap and the significant share of state spending attributable to the Medicaid program
 - KHPA understands the need to reduce spending in FY 2010 and 2011
- **Core questions for policymakers**
 - What role do they envision for KHPA in the budget and policy process?
 - What specific policy options would they like to see?
 - What can KHPA do to help policymakers set a course for Medicaid and SCHIP?



Refocus resources on core program operations

- **Scale back communications, outreach and policy capacity**
 - Eliminate the policy division and Director's position
 - Layoff 5 staff in those
 - Reassign remaining staff to programs operations
- **Consolidate responsibilities within Executive Team to take advantage of specific experience and strengths**
- **Maintain capacity to implement savings and efficiencies identified through transformation and normal program operations**
- **Acknowledge the agency's core accountability to efficiency, transparency, and program improvement**
- **Develop new savings and efficiencies through transformation process and remake the agency to engage in continual review and improvement**



Position the State for National Health Reform

- **Ensure appropriate governance and financing for any expansion**
- **General goals in reviewing proposals**
 - Federal reform should maintain or reduce state cost
 - Preserve or enhance state flexibility
 - Consider leaving some big choices to states
 - Resolve conflicts between Medicare and Medicaid
 - Improve Federal support for Medicaid infrastructure
- **Looking ahead to the state's potential role post reform**
 - Legislative review of federal reforms
 - Implement specific reforms
 - Increase public accountability and confidence at state level
 - Continued focus on prevention and medical home
 - Managing costs and enhancing financial accountability
 - Addressing Medicaid's enhanced role with core safety net providers
 - Coverage no longer the core question in Medicaid policy



Help Secure ARRA Funding for Health Information Exchange and Technology

- **ARRA and existing Medicaid statute include substantial funding for the development and advancement of a coordinated HIE and HIT strategy**
- **KHPA's objectives in developing a statewide plan are to achieve:**
 - a medical home
 - meaningful use among core Medicaid providers
 - efficiency and health-improving use of HIT for Medicaid recipients and the uninsured
- **KHPA submitted on Dec. 8th a revised application for ARRA 90% matching funds to develop the State Medicaid Health Information Technology Plan**
 - Addresses need to focus attention on high volume Medicaid providers and those serving the uninsured
 - Includes a detailed assessment and review of the "As-Is" I HIE/HIT landscape
- **Future grant awards will be used to implement a Medicaid HIT plan:**
 - upgrade KHPA's information systems to connect with the state HIE
 - administer 100% Federal incentive payments necessary to support the implementation of certified electronic health record (EHR) technology by eligible Medicaid providers.



KHPA's Four Year Strategic Plan

- **Approved by the Board November 2009**
- **Reflects Agency's new priorities**
- **Implemented at each level of the agency**
 - **Aligning organizational activities with policy goals**
 - **Aligning individual roles and responsibilities**
- **Includes many specific performance targets**
- **Retains KHPA's focus on data and advancing a medical home**
- **Reflects the wide responsibilities established for KHPA in statute**
- **Focuses the agency on core programmatic responsibilities, cost management, health outcomes, and continued transparency**

KHPA Strategic Focus: Advancing a Medical Home

- **Developing a Medical Home for Medicaid and SEHP was part the KHPA health reform platform of the 2007 Legislative session**
- **KHPA worked with legislators and stakeholders to codify the definition of Medical Home in statute with SB 81 in 2008**
- **Kansas participated in the State Quality Institute in 2008-2009 with a project to create a medical home for children in Medicaid and CHIP**
- **KHPA revised plans for developing a Medical Home model of care with payment reform as a result of the budget deficit**
- **Participation in the State Quality Institute II continues in 2009-2010 with a project to develop a medical home pilot for high needs/high cost beneficiaries**

KHPA Strategic Focus: Advancing a Medical Home

- **As participants in the State Coverage Institute the Kansas team visited Vermont to review how that state is operationalizing a Medical Home**
- **In 2009 Kansas procured a grant through NASHP to receive technical assistance by participating in the Consortium to Advance Medical Homes**
- **The Kansas state team is working to develop a plan to implement the Medical Home Model that will be shovel ready when funding becomes available**
- **The criteria for recognizing Medical Homes will incorporate the CMS definition of meaningful use of health information exchange**
- **KHPA is working in conjunction with KDHE and stakeholder groups to coordinate planning for HIT and Medical Home in Kansas**

Recent Milestones

- **Secured competitive, \$40 million grant to replace the state's Medicaid enrollment system and modernize outreach**
- **Implementing 2008 Medicaid transformation savings and quality initiatives in several areas:**
 - More competitive pharmacy pricing
 - Outsourcing management of transportation services
 - Reasonable pricing limits for durable medical equipment
 - Diabetes management initiative for home health workers
 - Two-tier rates and increased use of prior authorization for home health
 - One of the leading states in non-payment for “never” events in hospitals
 - Publishing performance and quality data to improve purchasing
- **Nearing completion of 2009 Medicaid transformation recommendations**
- **Implementing Expansion of SCHIP to 250% of 2008 FPL**
- **Completing testing for new system to support comparative purchasing for Medicaid and the state employee plan: will implement in 1-2 months**



Impact of Budget Reductions in FY 2009 and FY 2010

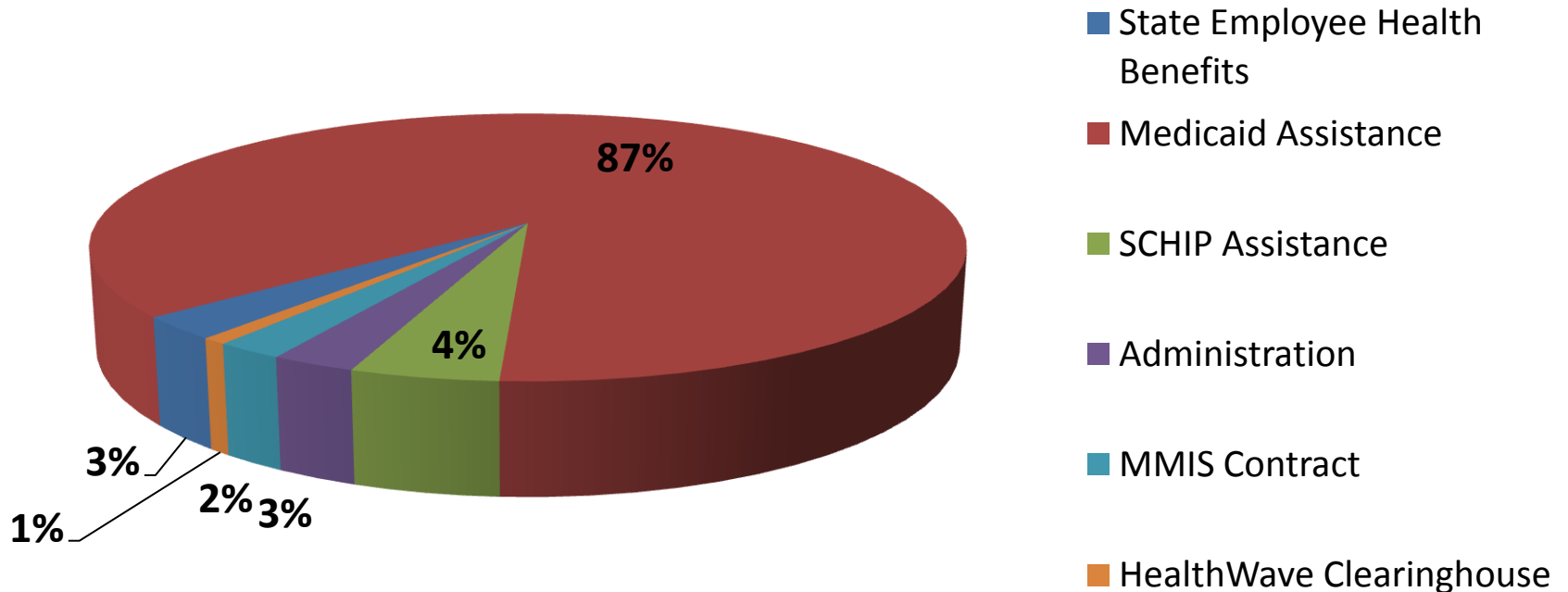


Brief Overview of KHPA's Budget

- **KHPA's FY 2009 budget was about \$2.6 billion**
 - \$1.36 billion is non-SGF funding for KHPA medical programs
 - \$800 million is federal funds passed through to other Medicaid service agencies (SRS, KDOA, JJA, KDHE)
 - \$450 million is SGF funding for services and operations
- **KHPA programs and operations are funded separately**
 - FY 2009 operational funding was \$23 million SGF
 - Caseload costs are about 20 times larger than operational costs
 - Caseload savings cannot be credited to cost-saving operations
 - The federal government matches Medicaid operations at 50-90%
 - Operational costs for the state employee plan are funded off-budget
- **KHPA FY 2010 budget reductions concentrated on operations**
 - Medicaid caseload protected due to Federal stimulus dollars
 - KHPA operational funding reduced 15.5% versus FY 2009

KHPA Total Budget

FY 2010 Approved Budget excluding off budget and transfers





Governor's Rescission and 2009 Legislative Reductions: Impact on Medicaid and SCHIP

- **Update: Many thousands of People with Delayed Medicaid/SCHIP Applications through December 2009**
 - Millions of dollars (statewide) in uncompensated or foregone medical care, delayed payments, and foregone federal funding. Needed medical care delayed; negative health outcomes
 - Compliance with Federal deadlines for processing applications at risk
 - Impact reduced by using unexpected contract savings to buy overtime at the Clearinghouse
- **Approximately 40% Cut in Customer and Provider Service**
 - 42 FTE's laid off in July from the Medicaid fiscal agent, HP (@ Forbes Field)
 - Affects 25,000 Medicaid providers' ability to ensure access for their patients; receive prompt payment for services. Potential delays in care and reimbursement
 - Call wait times have doubled since July to nearly 4 minutes
 - Rate of abandoned calls has tripled
- **Staff Layoffs: 13 positions (July 2009)**
 - Another 30+ funded positions held open or eliminated with turnover
 - Cumulative reduction in staffing of 15% as compared to July 2008



Governor's Rescission and 2009 Legislative Reductions: Impact on State Employee Health Plan

- The timing of past premium increases in the State Employee Health Plan lead to an overfunded reserve account
 - Actuarial sound plans maintain a 15% reserve
- Beginning on Plan Year 2009, The State Employees' Health Care Commission adopted a strategy to gradually spend down the reserve and simultaneously increase premiums to more closely mirror expenditures
- During Plan Year 2009, the Governor and Legislature approved a 7 pay period moratorium on the state paying its portion of employee premiums
 - This decreased the reserve balance by roughly \$60 million
- Without significant cost-shifting or rate increases, the KHPA estimates that the 2011 reserve balance will be \$3.6M and the plan will have a deficit of \$37M in 2012.



Reduction Options Included in FY 2011 Budget Submission

- Streamline Prior Authorization in Medicaid
 - \$243,000 SGF/ \$952,000 AF
- Mental Health Pharmacy Management
 - \$800,000SGF/ \$2.0M AF
- Align Professional Rates in Medicaid
 - \$ 1 M SGF/ \$ 2.8 M AF (Corrected)



FY 2010 Governor's State General Fund Allotments *July 2009*

- FY 2009 Caseload Savings (\$5,300,000)
- Expansions to Pregnant Women (\$524,000)
- Increased FMAP Rate (\$6,300,000)
- No impact on current services



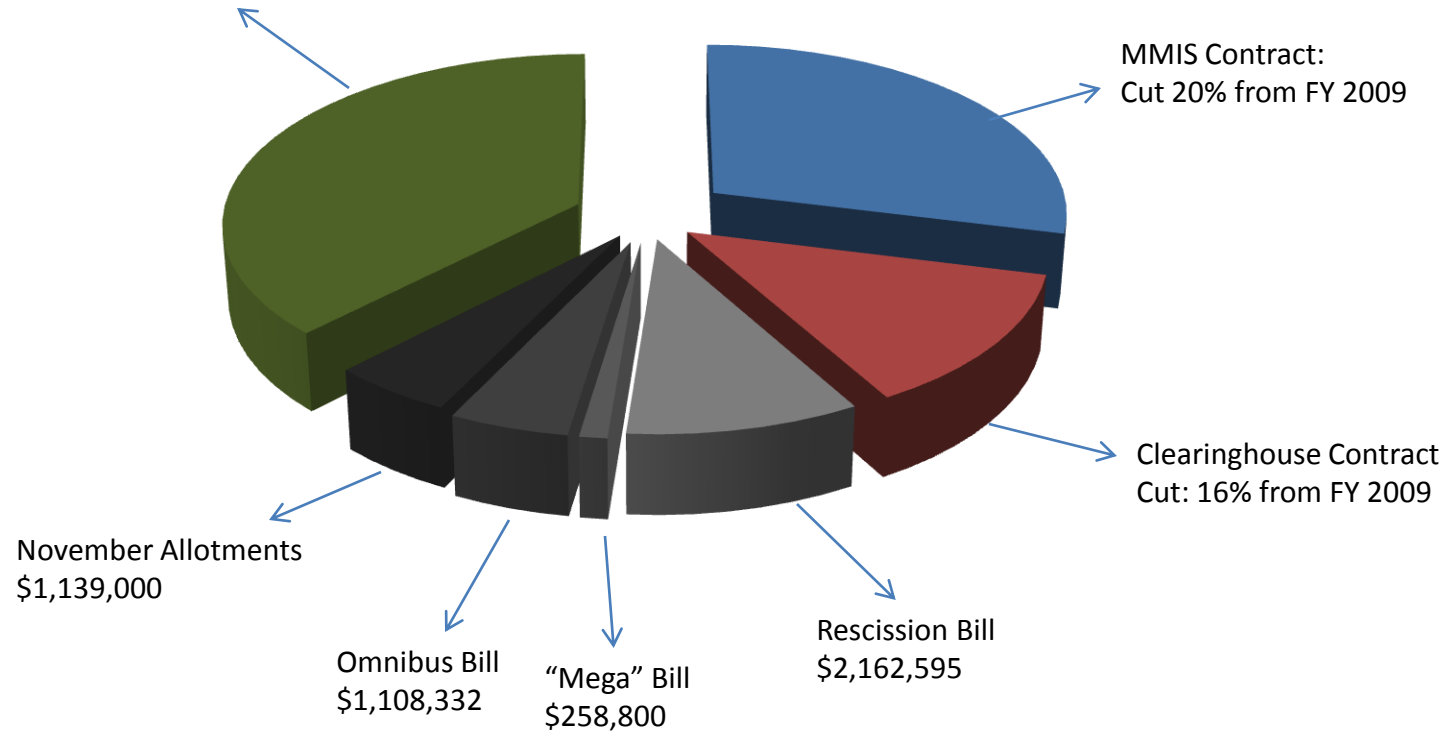
FY 2010 Governor's State General Fund Allotments *November 2009*

- **Across-the-board 10% reduction in Medicaid provider rates**
 - Applies to all Medicaid agencies, all provider types
 - Effective for dates of service beginning January 1st
- **\$1.13 million SGF (\$2.5 million all-funds) reduction in KHPA's operating budget**
 - Cumulative 20.5% reduction since approved FY 2009
 - Allotment represents 5% reduction on FY 2009 base
- **\$1 million SGF reduction in funding for SCHIP services**
 - Growing backlog likely to reduce pressure on funding
- **Limitation on MediKan benefits to 12 months**

FY 2010 Operating Budget After Allotments

FY 2009:	\$22,814,018
Rev. FY 2010:	\$18,145,291
Total Cuts:	\$4,668,727 (20.5%)

KHPA Internal Administration
Cut 22% from FY 2009





Summary of November 2009 Allotment for KHPA Operations

- **Freeze KHPA staff overtime and reduce KHPA staff through attrition (109,000) SGF**
- **Eliminate extra contract funding dedicated to the Clearinghouse eligibility backlog (140,000)SGF**
- **Cut State staff overtime dedicated to the Clearinghouse eligibility backlog (60,000) SGF**
- **Reduce scope of services in the Clearinghouse contract (197,000) SGF**
- **Amend verification policies and reduce call center capacity at the eligibility Clearinghouse (233,000) SGF**
- **Lapse funds from FY 2009 (150,000) SGF**
- **Eliminate the call center for Medicaid providers and significantly reduce call center capacity for Medicaid beneficiaries (250,000) SGF**



Focus: Eliminate Added Capacity at the Eligibility Clearinghouse

- **Extra contract funding and state staff overtime dedicated to the eligibility Clearinghouse backlog**
- **Loss of funding will lead directly to growth in the backlog of applications, estimated backlog in June 2011 of 33,000**
- **Growing backlog will result in delayed or foregone medical care for beneficiaries and a loss of revenue for providers**
- **Created the potential violation of federal 45 day processing time requirements**
- **Threatens compliance linked to ARRA funding**
- **Potential loss of up to \$11 million in CHIPRA bonus payments**
- **Potential threat to \$40 million HRSA grant for improved eligibility operations**



Focus: Amend Policies and Reduce Services at Clearinghouse

- **Reductions are designed to achieve additional savings without adding to the backlog**
- **Amending verification policies will speed and simplify application processing but also involves a risk of a higher error rate**
- **Cutting customer call center capacity by one-third will reduce contractor's capacity to assist beneficiaries**
- **Eliminating the Quality Assurance unit will weaken KHPA's ability to monitor whether the contractor is meeting performance expectations**



Focus: Examples of Simplifications to Medicaid/SCHIP Applications

- **Self declaration of child support**
- **Eliminate trust test for “Caretaker Medical” (low-income parents)**
- **Self declaration of pregnancy**
- **Eliminate mid-year reporting for Transitional Medical recipients**
- **Continuous 12-month eligibility for caretaker medical (parents)**
- **Change income calculation for new applicants with new jobs**
- **Focus state workers on oversight and processing, not duplication**
- **Rely on Department of Labor wage information**
- **Pre-populate review form with lessened verification requirements**
- **New HW application designed to get questions answered accurately and to obtain necessary information**



Focus: Eliminate Provider Call Center and Reduce Customer Service

- **Option eliminates all Medicaid provider service and reduces customer service at the fiscal agent (HP)**
- **Fiscal agent receives 250,000 calls per year from providers and beneficiaries, those callers will now be directed to a web portal for information**
- **Call volume may divert to KHPA staff, but we have no capacity to manage the increase**
- **Payment accuracy likely to decline, resulting in higher caseload costs**
- **No in-person training for new providers or changes in billing without the Provider liaisons**
- **Strain in relationships with Medicaid Providers**
- **Increase in payment appeals**



Provider Response to Medicaid Budget Reductions

- **Rate reduction has prompted a strong reaction from a wide spectrum of providers**
- **Impact likely to vary by type of provider**
- **Impact of rate cuts different if providers view it as permanent**
- **Providers have expressed some of their deepest concerns over the reductions in customer service**
- **Many have expressed concerns about the impact reductions will have on access to providers for Medicaid and SCHIP recipients**



Next Steps for KHPA

Ongoing Priorities

- **Operationalize required budget reductions**
 - Work with stakeholders to redefine provider relationship
 - Identify alternatives for customer service
 - Maintain oversight and find opportunities to move forward
- **Respond to requests for budget analysis and options**
- **Prepare contingencies for Federal health reform**
- **Apply Federal and private grant funds to plan and implement HIE and HIT, and design a pilot for the medical home**
- **Successfully implement SHAP grant to modernize eligibility systems and outreach**
- **Complete major projects and federal initiatives and focus on data-driven program management**

*Coordinating health & health care
for a thriving Kansas*



<http://www.khpa.ks.gov/>